

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 107672
ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 TRSE-00 SS-15 SP-02 IO-13
AID-05 STR-07 COME-00 FRB-03 OMB-01 DOE-15 SOE-02
DODE-00 XMB-02 /084 R

DRAFTED BY STATE:EB:IFD:ODF:R.JONES
APPROVED BY ARA/ECP:SHROGERS
TREAS:I/IDN:F.MARESCA
TREAS:I/ID:A.NACHMANOFF
ARA/CAR: GDESANTILLANA
-----084541 281201Z /13
R 271919Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY SANTO DOMINGO

LIMITED OFFICIAL USE STATE 107672

E.O. 11652:

TAGS: EFIN, EAID, DR

SUBJECT: BILATERAL WITH THE DOMINICAN REPUBLIC AT THE IDB
ANNUAL MEETING

BEGIN SUMMARY: U.S. DEPUTY ASSISTANT SECRETARY OF THE
TREASURY, ARNOLD NACHMANOFF HELD BILATERAL DISCUSSIONS
WITH DOMINICAN CENTRAL BANK GOVERNOR PERICHE DURING ANNUAL
MEETING OF THE INTER-AMERICAN DEVELOPMENT BANK (IDB) ON
APRIL 16 AT VANCOUVER. PERICHE RAISED FOUR ISSUES WITH
MR. NACHMANOFF:

- -- U.S. SUGAR POLICY,
- -- STATUS OF DOMINICAN REQUESTS FOR PL 480 AND CCC
- CREDITS,

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 107672

- -- POSSIBLE U.S. ASSISTANCE FOR THE DEVELOPMENT OF NON-
- CONVENTIONAL ENERGY SOURCES,
- -- FINANCING FOR A ROAD PROJECT FROM SANTO DOMINGO TO
- THE NORTHERN AGRICULTURAL REGIONS FROM THE FUND FOR
- SPECIAL OPERATIONS (FSO).

MR. NACHMANOFF EXPLAINED THAT U.S. SUGAR POLICY WAS BASED ON THE NEW INTERNATIONAL SUGAR AGREEMENT (ISA), AGREED THE U.S. WOULD PROVIDE A REPORT ON THE DISPOSITION OF THE DOMINICAN PL 480/CCC REQUEST, INDICATED THE U.S. SUPPORTED DEVELOPMENT OF NON-CONVENTIONAL ENERGY SOURCES AND WOULD BE WILLING TO EXPLORE POSSIBLE U.S. TECHNICAL COOPERATION IN THIS AREA, AND OUTLINED THE GENERAL U.S. POLICY ON THE USE OF FSO FUNDS. END SUMMARY.

1. SUGAR. IN HIS OPENING REMARKS ON THIS SUBJECT MR. PERICHE MADE THE FOLLOWING POINTS:

- -- IT IS THE MOST IMPORTANT ISSUE FOR THE DR AS 60 PERCENT OF THEIR FOREIGN EXCHANGE EARNINGS AND MUCH OF THEIR EMPLOYMENT DEPENDS ON SUGAR EXPORTS.
- -- 80 PERCENT OF DOMINICAN SUGAR EXPORTS GO TO THE U.S. THUS THEY ARE GREATLY AFFECTED BY U.S. SUGAR POLICY.
- -- THE DOMINICAN REPUBLIC ACCEPTS THE RIGHT OF ANY GOVERNMENT TO PROTECT ITS SUGAR PRODUCERS, BUT BELIEVES THE RECENTLY INSTITUTED U.S. TAX ON IMPORTED SUGAR IS INJURIOUS TO OTHER SUGAR PRODUCERS, THE ESTIMATED ANNUAL COST OF THE TAX TO THE DR IS 80 MILLION DOLS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 107672

- -- A COUNTRY QUOTA SYSTEM WOULD BE A BETTER WAY TO PROTECT DOMESTIC U.S. PRODUCERS SINCE IT WOULD RAISE PRICES FOR BOTH U.S. AND DOMINICAN PRODUCERS. THIS WOULD HAVE SECONDARY BENEFITS FOR THE U.S. SINCE THE DR WOULD BE ABLE TO IMPORT MORE GOODS FROM THE U.S. IT ALSO WOULD BE IN ACCORDANCE WITH OUR LONGSTANDING GOOD RELATIONS.
- -- ANOTHER POSSIBLE ALTERNATIVE WOULD BE TO SET ASIDE A PORTION OF THE TAX REVENUES FOR SUPPORTING THE DEVELOPMENT OF BY-PRODUCTS OF THE DOMINICAN SUGAR INDUSTRY. A WIDE RANGE OF COORDINATED PROJECTS IN ALL ASPECTS OF THE SUGAR INDUSTRY COULD BE SUPPORTED BY SUCH A FUND.

2. DAS NACHMANOFF RESPONDED THAT THE U.S. CONSIDERS THE INTERNATIONAL SUGAR AGREEMENT (ISA) TO BE THE APPROPRIATE LONG-TERM SOLUTION TO THE PROBLEM OF THE WORLD SUGAR INDUSTRY. HE STRESSED THAT THE U.S. FEES WERE INTERIM MEASURES WHICH WOULD BE PHASED OUT AS SOON AS THE ISA WAS SUCCESSFUL IN RAISING WORLD PRICES ABOVE ITS PRICE FLOOR. MR. PERICHE THEN INTERJECTED THAT THE ISA QUOTA FOR THE DR WAS PART OF A TWO-EDGED PROBLEM (U.S. TAXES BEING THE OTHER). HE COMPLAINED THAT THIS YEAR THE DR WOULD BE PRE-

VENTED FROM EXPORTING 200 THOUSAND TONS OF SUGAR BY THEIR

ISA QUOTA. DAS NACHMANOFF ASSURED MR. PERICHE THAT WE WERE AWARE OF THEIR PROBLEM. THE U.S. AGREED THEIR QUOTA WAS BELOW HISTORICAL LEVELS, AND WE WOULD BE WILLING TO COOPERATE WITH THEM IN THE ISA TO INVESTIGATE THIS PROBLEM. DAS NACHMANOFF CONTINUED THAT WE FELT THE U.S. SENATE WOULD RATIFY THE ISA BY JULY AND THAT THIS WAS THE APPROPRIATE STEP RATHER THAN A RETURN TO COUNTRY QUOTAS. HE ALSO EXPLAINED THAT USING IMPORT TAX RECEIPTS FOR SPECIAL FUND FOR DEVELOPING BY-PRODUCTS OF THE DOMINICAN SUGAR INDUSTRY WOULD BE VERY DIFFICULT. IT WOULD REQUIRE SPECIAL LEGISLATION AND WOULD BE A BAD PRECEDENT FOR THE USE OF OTHER IMPORT TAX REVENUES. IT WOULD BE BETTER FOR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 107672

THE DR TO PURSUE THESE IDEAS WITHIN EXISTING INSTITUTIONS SUCH AS THE IDB OR WITH THE ASSISTANCE OF THE EXIMBANK.

3. PL-480. MR. PERICHE STATED THAT THE DOMINICAN REPUBLIC HAD REQUESTED A 30 MILLION DOLS. PL-480/CCC PROGRAM FOR 1978-79, BUT THAT THEY HAD AS YET HAD NO RESPONSE FROM THE U.S. EVEN THOUGH THEY HAD REQUESTED A STATUS REPORT FROM OUR EMBASSY IN SANTO DOMINGO. DAS NACHMANOFF REPLIED THAT THE DOMINICAN REQUEST WAS UNDER ACTIVE CONSIDERATION WITHIN THE U.S. AND A DECISION BASED ON RESOURCE AVAILABILITY AND DEVELOPMENT PRIORITIES WOULD BE MADE SOON. MR. NACHMANOFF PROMISED TO CONVEY THE DR CONCERN TO THE APPROPRIATE U.S. AGENCIES AND STATED THAT THE STATE DEPARTMENT WOULD BE CONTACTING THE DOMINICAN EMBASSY IN WASHINGTON ON THIS ISSUE.

4. NON-CONVENTIONAL ENERGY SOURCES. MR. PERICHE EXPLAINED THAT OIL REPRESENTS GREATER THAN 20 PERCENT OF DR IMPORTS. THEY ARE ANXIOUS TO REDUCE THE DEPENDENCY ON FOREIGN OIL AND ARE INTENT ON EXPLORING POSSIBLE ALTERNATIVE SOURCES OF ENERGY: SOLAR, GEOTHERMAL POWER, AND COAL DEPOSITS, AND WIND POWER. DAS NACHMANOFF REPLIED THAT THE U.S. IS ENCOURAGING THE INTERNATIONAL FINANCIAL INSTITUTIONS TO INCREASE THEIR FUNDING FOR THE DEVELOPMENT OF NON-CONVENTIONAL SOURCES OF ENERGY. WE ALSO ENCOURAGE APPROPRIATE TECHNOLOGY PROJECTS WHICH WOULD BE OF ADDITIONAL HELP IN THIS AREA. THE U.S. EXECUTIVE DIRECTORS IN THE IFIS WILL THEREFORE BE VERY RECEPTIVE TO CONSIDERING PROJECTS WHICH STIMULATE THE DEVELOPMENT OF NON-CONVENTIONAL ENERGY SOURCES.

5. MR. PERICHE STATED THAT HE KNEW THIS WAS INDEED THE CASE BUT HE WAS ALSO INTERESTED IN POSSIBLE BILATERAL PRO-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 STATE 107672

GRAMS WHICH COULD BE DEVELOPED IN COORDINATION WITH IDB PROJECTS. DAS NACHMANOFF SAID THAT AID WOULD HAVE TO DETERMINE IF IT WOULD BE POSSIBLE TO DESIGN A PROGRAM

FIELD FROM AGENCIES SUCH AS DOE OR NASA. HE ASSURED MR. PERICHE THAT THIS REQUEST WOULD BE FOLLOWED UP BY THE APPROPRIATE U.S. AGENCIES.

6. MR. PERICHE THEN TURNED TO THE FUND FOR SPECIAL OPERATIONS. HE SAID THAT ALTHOUGH THE DOMINICAN REPUBLIC HAD RELIED HEAVILY ON THE FSO IN THE PAST IT WAS INCREASING ITS RELIANCE ON THE CAPITAL WINDOW. HE DID HOWEVER WANT TO REQUEST U.S. SUPPORT FOR FSO FINANCING OF A ROAD BETWEEN SANTO DOMINGO AND THE NORTHERN AGRICULTURAL REGION OF THE COUNTRY. HE EXPLAINED THAT THE ROAD WOULD REPLACE A TWO LANE HIGHWAY WHICH WAS INADEQUATE AND WOULD SIGNIFICANTLY REDUCE THE TRANSPORTATION COSTS FOR BRINGING THE NORTHERN PEASANTS' PRODUCE TO MARKET IN SANTO DOMINGO.

7. DAS NACHMANOFF RESPONDED THAT ALTHOUGH HE WAS UNABLE TO JUDGE THE MERITS OF THE PARTICULAR PROJECT AT THIS TIME, THE GENERAL U.S. POLICY FOR USE OF FSO FUNDS WAS THAT THEY SHOULD BENEFIT THE POOREST PEOPLE IN THOSE COUNTRIES. MR. PERICHE REPLIED THAT THEY SHOULD TALK ABOUT ANOTHER GENERAL PROBLEM: MOST FSO FUNDS COME FROM THE U.S., BUT THE U.S. HAS NOT MAINTAINED ITS AGREED SHARE. HE ADDED THAT EVERYONE BELIEVED MOST OF THE FUNDS SHOULD GO TO THE POOR, BUT AN OVEREMPHASIS ON SOCIAL PROJECTS WAS INADVISABLE SINCE THEY ONLY HAD A LONG-TERM EFFECT WHILE POOR PEOPLE NEED SOME IMMEDIATE BENEFITS. MR. NACHMANOFF SAID THAT THE U.S. UNDERSTANDS THIS AND AGREES THAT INFRASTRUCTURE PROJECTS ARE ALSO NECESSARY. HOWEVER, WE BELIEVE THAT IN TERMS OF CONCESSIONAL FINANCING HIGHER PRIORITY SHOULD GENERALLY BE PLACED ON SOCIAL PROJECTS SINCE THEY COULD NOT OTHERWISE BE FINANCED. OTHER PROJECTS GENERALLY CAN BE FINANCED ON HARDER TERMS SINCE THEY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 06 STATE 107672

GENERATE SUFFICIENT PROCEEDS. HE ADDED THAT THE U.S. WAS AWARE WE HAD NOT MADE OUR FULL CONTRIBUTION TO THE FSO, BUT THE NEW ADMINISTRATION WAS WORKING TO OBTAIN THE APPROPRIATIONS NECESSARY TO MAKE UP OUR ARREARAGES IN ALL THE IFIS. OUR INTENTIONS ARE GOOD, BUT THAT DOES NOT CHANGE THE FACT THAT RESOURCES ARE SCARCE RIGHT NOW.

8. MR. PERICHE CLOSED THE SESSION BY THANKING MR. NACHMANOFF FOR HIS COURTESY AND ASKING HIM TO TRANSMIT THE CONCERN OF THE DOMINICAN REPUBLIC TO THE APPROPRIATE U.S. AGENCIES. HE ADDED THAT MR. ARISTY, THE DOMINICAN EXECUTIVE DIRECTOR FOR THE IDB, WOULD BE A GOOD CONTACT POINT IN WASHINGTON, FOR FURTHER DISCUSSIONS. MR. NACHMANOFF ASSURED MR. PERICHE THAT THE UNITED STATES WOULD FOLLOW UP ON THE REQUESTS HE HAD MADE.

9. FOR SANTO DOMINGO: HAS THE GODR BEEN INFORMED OF THE DEFERRAL OF ITS REQUEST FOR CCC CREDITS PENDING PROGRESS TOWARD RESOLVING DOMINICAN ARREARAGES ON DEBTS OWED TO DOD AND EXIMBANK, PER STATE 79109? VANCE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, MEETING DELEGATIONS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE107672
Document Source: CORE
Document Unique ID: 00
Drafter: EB:IFD:ODF:R.JONES
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780182-0084
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978049/aaaaagxl.tel
Line Count: 237
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ebffedb5-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3065768
Secure: OPEN
Status: NATIVE
Subject: BILATERAL WITH THE DOMINICAN REPUBLIC AT THE IDB ANNUAL MEETING BEGIN SUMMARY: U.S. DEPUTY ASSISTANT SECRETARY OF
TAGS: EFIN, EAID, DR, IDB, (NACHMANOFF, ARNOLD), (PERICHE)
To: SANTO DOMINGO
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/ebffedb5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014